STATE OF ARIZONA

Joint Committee on Capital Review

STATE
SENATE

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HOUSE OF
REPRESENTATIVES

JOINT COMMITTEE ON CAPITAL REVIEW
Thursday, March 7, 2002
12:00 Noon
House Hearing Room 4

AGENDA

- Call to Order
- Approval of Minutes of December 12, 2001
- DIRECTOR'S REPORT (if necessary).

1. ARIZONA DEPARTMENT OF ADMINISTRATION/DEPARTMENT OF HEALTH SERVICES –
   A. Consider Approval of Lease-Purchase for State Health Laboratory.

   EXECUTIVE SESSION:*
   B. Review of Phase Two Request for Proposals for State Health Laboratory.
   C. Review Architect and Construction Manager at Risk Proposals for Forensic Hospital Renovation Component of the Arizona State Hospital Construction Project.

2. DEPARTMENT OF ECONOMIC SECURITY – Review of Arizona Training Program at Tucson Study.

3. ARIZONA BOARD OF REGENTS/ARIZONA STATE UNIVERSITY –
   A. Consider Approval of Bond Projects.
   B. Review of Lease-Purchase Projects.

4. ARIZONA BOARD OF REGENTS/UNIVERSITY OF ARIZONA – Review of Lease-Purchase Projects.

(Continued)

5. ARIZONA DEPARTMENT OF ADMINISTRATION/DEPARTMENT OF CORRECTIONS/DEPARTMENT OF JUVENILE CORRECTIONS/ARIZONA DEPARTMENT OF TRANSPORTATION – Review of Revisions to Department of Corrections and Department of Juvenile Corrections, and Department of Transportation FY 2002 Building Renewal Allocation Plans.

6. ARIZONA STATE SCHOOLS FOR THE DEAF AND THE BLIND – Report on 10-Year Facilities Master Plan.

* As permitted under A.R.S. § 38-431.03 and A.R.S. § 41-2514.

The Chairman reserves the right to set the order of the agenda.

3/04/02

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HOUSE OF REPRESENTATIVES

MINUTES OF THE MEETING
JOINT COMMITTEE ON CAPITAL REVIEW

Wednesday, December 12, 2001

The Chairman called the meeting to order at 8:40 a.m. Wednesday, December 12, 2001 in Senate Appropriations Room 109 and attendance was noted.

Members:	Senator Solomon, Chairman	Representative Knaperek, Vice-Chairman
	Senator Brown	Representative Allen
	Senator Bennett	Representative Gray
	Senator Cirillo	Representative Pearce
	Senator Hamilton	Representative Weason
	Senator Mitchell	
Absent:	Senator Guenther	Representative Cheuvront
		Representative Lopez
Staff:	Lorenzo Martinez	Jan Belisle, Secretary
	Bob Hull	Jill Young
	Chris Earnest	Tim Sweeney
Others:	Debbie Johnston, Senate	Renee Bahl, State Parks
	Jay Ziemann, State Parks	Terry Issacson, ASU-East
	Travis Mallen, Senate	Charles Haverstick, ADOT
	Blake Anderson, ASU	Bob Harris, ADOT
	Dr. Philip Geiger, SFB	John Arnold, SFB

<u>Representative Gray</u> *moved the Committee approve the minutes of November 29, 2001 as presented.* The motion carried.

ARIZONA STATE PARKS – Review of State Lake Improvement Fund Projects.

Tim Sweeney, JLBC Staff presented the Arizona State Parks request that the Committee review State Lake Improvement Fund (SLIF) projects totaling $13,455,800. There are a total of 35 SLIF projects. The projects reviewed today will be using the FY 2001 revenue and will not impact potential transfers from SLIF to the General Fund in FY 2002 and FY 2003.

(Continued)

In response to Senator Cirillo, Jay Ziemann, Assistant Director, State Parks stated that the land for the Lake Havasu City project is owned by the state Land Department. There are three landowners and over the last 3-4 years there have been land exchanges and agreements between the Land Department, the Bureau of Land Management and State Parks. There are no private landowners.

Representative Pearce expressed concern regarding SLIF city projects. Some of the projects are not for natural major lakes and waterways. Maricopa County generates approximately 80% to 85% of the monies that go into SLIF. Their return is approximately 5-10% of those dollars.

Senator Hamilton mentioned that the residents in Maricopa County represent the majority of users of the lakes, waterways and recreational facilities in areas outside Maricopa County.

Senator Bennett moved the Committee give a favorable review to the State Lake Improvement Fund projects totaling $13,455,800. The motion carried.

SCHOOL FACILITIES BOARD – Report on FY 2003 Instructions to the Treasurer.

Chris Earnest, JLBC Staff presented to the Committee the report from the School Facilities Board (SFB) on the estimated amounts necessary in FY 2003 for the Building Renewal Fund, New School Facilities Fund and the Deficiencies Correction Fund. The board will instruct the Treasurer to transfer a total of $416.3 million in FY 2003. This amount includes $28.0 million for the Deficiencies Fund; $128.3 million for the Building Renewal Fund and $260.0 million for the New School Facilities Fund.

In response to Representative Gray, Dr. Philip Geiger, Director, School Facilities Board said there were approximately 40 districts that had not reported on their prior year building renewal expenditures. The Attorney General's Office has indicated that if a school district does not expend any monies for building renewal in the prior year, it is not obligated to report. The law does not require them to submit a report unless they have done work with the building renewal monies.

Senator Cirillo indicated that the loophole needs to be closed and that districts should be required to report regardless of the amount of expenditures.

In reply to Senator Bennett, Dr. Geiger stated that the formula takes into account the age of the building as criteria. New buildings negate getting building renewal money. The formula is set so that every year the building is in existence, it gets more building renewal money through the formula.

Senator Bennett asked if a $15 million school was built, how much building renewal money would be sent out the first year or two. Dr. Geiger said the information would be provided to the Committee.

In reply to Chairman Solomon, Dr. Geiger said in year 2003 the deficiency corrections program ends. A district must qualify to get a new school built and this is determined by a statutory formula which takes into account population growth estimates. The numbers of increased growth in population come from 2 sources. The district provides demographic studies and SFB does additional demographic studies using an outside consulting firm. SFB also checks the student count with the Department of Education (ADE).

Chairman Solomon reiterated the information that was to be given to the Committee today. With regard to Senator Bennett's question about the amount of money that goes to a district to be apportioned out for building renewal for the first two years on new school construction.

Mr. John Arnold, Deputy Director of Finance, School Facilities Board, mentioned that he and Chris Earnest, JLBC Staff have discussed some discrepancies in the memo. On page 2 of the memo, the following corrections were made.

(Continued)

Under Deficiencies Correction Fund:

Prior to last week's SFB meeting, the fund had an unobligated balance of $~~45~~ 24 million. The SFB did, however, obligate an additional $~~7~~ 22 million at their December 6 meeting, reducing the unobligated amount to $~~36~~ 2 million.

Under New School Facilities Fund:

After all estimated distributions in FY 2003, SFB currently projects they will end the year with a $~~23.5~~ 12.0 million balance.

In reply to Chairman Solomon, Mr. Arnold said they obligated $22 million at the December board meeting for deficiencies corrections.

Mr. Earnest stated that for the Deficiencies Corrections Fund, he had started with a base dollar amount that was provided in a report submitted by SFB and removed the deductions. For the new School Facilities Fund, the number that is referenced in the memo is the number that is currently encumbered and the number that Mr. Arnold references is what they plan to encumber, meaning that it represents expenditures on those schools that have been conceptually approved but haven't received final approval.

Dr. Geiger stated that Mr. Earnest's statements were inaccurate and that start dates have been provided. Chairman Solomon asked for a list of 24 start dates that were previously requested but have not yet been provided.

Representative Knaperek also made comments on appropriate decorum for addressing staff and members.

Mr. Earnest stated that he had asked for start dates on 24 schools. These schools are scheduled to be completed and paid for by the end of FY 2002, however, construction has not yet started. He mentioned start dates were requested so that a cash flow analysis could be conducted for FY 2002.

Dr. Geiger stated SFB would provide the information on the 24 schools.

Mr. Arnold stated that the request was given to him and not Dr. Geiger. He was under the impression a previous conversation with Mr. Earnest had adequately covered the request.

In reply to Representative Gray, Dr. Geiger said that contractors are on a reimbursement basis. SFB will receive certification from the architect on the work completed that month, and SFB will pay only for work completed.

In reply to Senator Bennett, Mr. Arnold stated that it is very difficult to project the cash flow on a new school. Every quarter the SFB cash flows the new construction program. When it is complete, the information will be forwarded to Mr. Earnest. It is anticipated that there will be a greater ending balance in 2002.

No Committee action was required.

ARIZONA DEPARTMENT OF TRANSPORTATION – Review of Scope, Purpose, and Estimated Cost of Douglas MVD Service Center.

Bob Hull, JLBC Staff presented the Arizona Department of Transportation (ADOT) request that the Committee review the scope, purpose, and estimated cost of the Douglas Motor Vehicle Division (MVD) Service Center. The project was appropriated $1,150,000 from the State Highway Fund in FY 2001. The cost is $238 per square foot.

(Continued)

In reply to Representative Pearce, Mr. Hull said that the state does own the land. The land is not included in the square footage. There were 4 bids received and the low bid was $939,500 and the highest bid was $1,175,000.

Representative Knaperek moved the Committee gave a favorable review of the scope, purpose and estimated cost of the Douglas Motor Vehicle Division Service Center. The motion carried.

ARIZONA BOARD OF REGENTS/ARIZONA STATE UNIVERSITY-EAST – Report on Education 2000 Lease-Purchase Projects.

Ms. Jill Young, JLBC Staff presented follow-up information on Arizona State University-East lease-purchase capital projects being financed with Education 2000 monies. A Certificate of Participation (COP) issuance of $27,500,000 is planned for ASU-East, and a COP issuance of $21,600,000 is planned for ASU-West. Repayment of the COPs will be paid from Education 2000, or Proposition 301 monies. Over the next 3 years approximately 18 buildings at ASU-East will be renovated to convert space from its original military configuration to academic use, and a new flightline facility will be constructed.

No Committee action was required.

The meeting adjourned at 9:35 a.m.

Jan Belisle, Secretary

Lorenzo Martinez, Senior Fiscal Analyst

Senator Ruth Solomon, Chairman

NOTE: A full tape recording of this meeting is available at the JLBC Staff Office, 1716 W. Adams.

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HOUSE OF REPRESENTATIVES

DATE: March 4, 2002

TO: Representative Laura Knaperek, Chairman
Members, Joint Committee on Capital Review

THRU: Richard Stavneak, Director

FROM: Lorenzo Martinez, Senior Fiscal Analyst

SUBJECT: ARIZONA DEPARTMENT OF ADMINISTRATION/DEPARTMENT OF HEALTH SERVICES – CONSIDER APPROVAL OF LEASE-PURCHASE FOR STATE HEALTH LABORATORY

Request

The Arizona Department of Administration (ADOA) requests Committee approval to issue $30,000,000 in Certificates of Participation (COPs) to finance the construction of a new state health laboratory. ADOA proposes issuing these COPs in combination with $34,685,000 in COPs for the new Human Resources Information System (HRIS).

Review of the Phase 2 Request for Proposals for design and construction services for the health laboratory is a separate agenda item to be reviewed in Executive Session.

Recommendation

The JLBC Staff recommends that the Committee approve the request. The scope, purpose, and estimated cost of the health lab project will be submitted for Committee review when the design is completed. The Joint Legislative Budget Committee reviewed the expenditure plan for the HRIS project at its January 2002 meeting.

Analysis

The FY 2002 – FY 2003 Capital Outlay bill (Laws 2001, Chapter 237) authorized and appropriated $2,342,900 in FY 2003 from the General Fund to ADOA for the lease-purchase financing of a new state health laboratory. Laws 2001, 2nd Special Session, Chapter 3 would have repealed the authority and appropriation for the new health lab. However, the Governor vetoed the repeal, thereby leaving the authority and FY 2003 appropriation intact. The issuance for the project cannot exceed $30,000,000.

(Continued)

The issuance will be combined with a $34,685,000 issuance for the HRIS project to save on issuance costs and potentially secure a lower interest rate. The COPs for the HRIS project will be repaid over a 10-year period and health lab COPs will be repaid over a 20-year period. At an estimated average interest rate of 4.8% over the 20-year period, the repayment of the $30,000,000 for both principal and interest will be $48,779,600. Page 5 of the submitted materials shows the anticipated debt schedule for the health lab project (HRIS debt schedule is on page 4).

As noted earlier, Chapter 237 appropriated $2,342,900 in FY 2002 from the General Fund to ADOA for lease-purchase costs. If the COPs are issued, an appropriation of $2,342,100 will be required in FY 2003 for the annual repayment requirement.

ADOA is currently in the process of procuring design-build services for the construction of the health lab. Procurement of these services is the subject of an Executive Session item on this same agenda.

The financing plan for the health lab is consistent with the intent of authorizing legislation. The JLBC Staff recommends the Committee approve the issuance of $30,000,000 in COPs for the health lab project.

RS/LM:jb

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DATE: March 4, 2002

TO: Representative Laura Knaperek, Chairman
Members, Joint Committee on Capital Review

THRU: Richard Stavneak, Director

FROM: Stefan Shepherd, Senior Fiscal Analyst

SUBJECT: DEPARTMENT OF ECONOMIC SECURITY - REVIEW OF ARIZONA TRAINING PROGRAM AT TUCSON STUDY

Request

Pursuant to a requirement in the FY 1999 capital outlay bill, the Department of Economic Security (DES) is submitting the results of a land use study of the Arizona Training Program at Tucson (ATPT) campus for Committee review.

Recommendation

To fulfill its review requirement, the JLBC Staff recommends the Committee acknowledge receipt of the study and request DES to comment on a low-cost alternative by March 18. The study considered the following 3 alternatives: 1) reduce unused space but stay at ATPT, 2) stay at ATPT as it exists today, and 3) relocate into smaller private space and sell ATPT. The study recommended that DES reduce unused space but stay at ATPT (Alternative #1). The low-cost alternative would be similar to Alternative #1, except no new building would be constructed and other upgrade costs would also be deferred. With this additional alternative, the full Legislature could then decide how to resolve the issue in its FY 2003 budget deliberations.

Analysis

The FY 1999 Capital Outlay bill (Laws 1998, Chapter 7, 4th Special Session) included an appropriation of $25,000 from the General Fund to DES. The appropriation was for a land use study which would include an appraisal of the land, an investigation of possible alternative uses, an analysis of the costs of providing campus-based services at an alternative location, and a recommendation for the final use of the campus. Chapter 7 also required that DES present the study results to JCCR for its review.

The study was completed in August 2001 and transmitted to our office in December. Because of the study's size, we have attached only the executive summary and DES' accompanying letter. The full report is available for review upon request.

(Continued)

In 1967 the federal government deeded 30 acres of property to the state for ATPT. The deed required that the state use the property for public health purposes for at least 30 years. The last residential clients left the facility in February 1997, but the facility continues to be used for day programs and other services to developmentally disabled (DD) clients. Administrative staff for Pima County DD programs also have their offices at ATPT.

The study considers three alternatives:

1) Reduce the amount of space used at ATPT and sell the unused portion of the site. This alternative was recommended by the study.
2) Stay at ATPT and use as it exists today.
3) Relocate to a smaller amount of leased space and sell the existing property.

Alternative 1 also includes construction of a new building to replace 2 buildings and various upgrade projects. *JLBC Staff recommends that DES comment on the implementation of Alternative 1, without construction of a new building or upgrade projects.*

The table below summarizes the costs in each of four categories: yearly operating costs (relative to the current costs in Alternative #2), one-time costs such as facilities upgrades and moving costs, capital costs, and proceeds from sale of some or all of ATPT. Further details on each category's costs follow the table.

Alternative	Operating	One-Time	Capital	Sale Proceeds
#1 (reduce/stay at ATPT)	$(301,900)	$353,000	$1,670,500	$ (400,000)
#2 (stay at ATPT as is)	$ -0-	$339,000	$ -0-	$ -0-
#3 (relocate/sell ATPT)	$ (67,700)	$249,100	$ -0-	$(1,000,000)

<u>Operating</u>: As noted above, the operating costs reflect changes from the current estimated yearly operating cost of $619,400 in Alternative #2. Alternative #1 has cheaper operating costs than Alternative #2 because Alternative #1 would use only about 50% of the current square footage. The reduced square footage total in Alternative #1 <u>includes</u> the square footage of a new building on the ATPT campus. (This issue is discussed in the "Capital" section below.) Alternative #3 would use about 30% of the current square footage, but DES has assumed a private lease cost per square foot of $16.50. This amount is about 3 times the estimated cost for ATPT, which includes maintenance staff , maintenance and repair, and occupancy costs. According to the report, reducing square footage could result in no longer being able to provide space for client and community meetings, technology assessment programs, and outpatient biofeedback.

<u>One-Time</u>: In addition to operating costs, the study lists one-time (first-year) costs at $339,000 of "deferred maintenance" in Alternatives #1 and #2, $14,000 of relocation costs in Alternative #1, and $249,100 of moving costs in Alternative #3. The JLBC Staff believes the "deferred maintenance" costs in the study could be considered Building Renewal projects subject to the Building Renewal process.

<u>Capital</u>: Alternative #1 assumes that the state will build a new building to replace two buildings on the site. It is unclear if the new building would have to be built in order to make Alternative #1 work. The new building would be 20,000 square feet, about the same size as the two buildings it would replace, so it is possible that constructing a new building would be purely discretionary.

<u>Sale Proceeds</u>: The study does not provide a figure for how much the state could expect to receive for selling part of ATPT in Alternative #1. It looks like that portion might represent approximately 40% of the property by size, so we have estimated that the proceeds would total $400,000, or 40% of the $1,000,000 the study estimates the state will receive from sale of all of ATPT (after demolition) in Alternative #3.

(Continued)

The following table shows total costs (or savings) compared to current costs over a five and ten year period, taking into account capital costs and sale proceeds.

Alternative	Five-Year	Ten-Year
#1 (reduce/stay at ATPT)	$ 114,000	$(1,395,500)
#2 (stay at ATPT as is)	$ 339,000	$ 339,000
#3 (relocate/sell ATPT)	$(1,089,400)	$(1,427,900)

Other non-monetary considerations went into the study's recommendation, including how well the current ATPT site is believed to meet client needs (compared to other alternatives) and the high level of support for the current ATPT site. In addition, a number of less-essential functions would be dropped under Alternatives #1 and #3. These considerations mostly supported Alternative #2; Alternative #3 fared worst in these considerations.

To fulfill its review, the JLBC Staff recommends the Committee acknowledge receipt of the study and request DES to comment on a low-cost alternative by March 18. The low-cost alternative (Alternative #4) would be similar to Alternative #1, except no new building would be constructed and other upgrade costs would also be deferred. In the absence of additional new costs, Alternative #4 would generate savings of $1,895,500 over five years, as opposed to $114,500 of costs under Alternative #1.

Attachment
RS/SSh:jb

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DATE: March 4, 2002

TO: Representative Laura Knaperek, Chairman
Members, Joint Committee on Capital Review

THRU: Richard Stavneak, Director

FROM: Lorenzo Martinez, Senior Fiscal Analyst

SUBJECT: ARIZONA BOARD OF REGENTS/ARIZONA STATE UNIVERSITY – CONSIDER APPROVAL OF BOND PROJECTS

Request

Pursuant to Laws 1996, Chapter 334, the Arizona Board of Regents (ABOR) requests Committee approval for Arizona State University (ASU) to issue $81,500,000 in academic and auxiliary bonds for a Mediated Classroom/Social Sciences (MCSS) Building and Infrastructure Improvements.

These projects were presented to the Committee at its June 2001 meeting when the Committee reviewed revisions to the ASU multi-year bonding plan. Committee approval of each bond project is required prior to the issuance of bonds.

Recommendation

The JLBC Staff recommends that the Committee approve the request with the following stipulation:

- A favorable review by the Committee does not constitute endorsement of General Fund appropriations to offset any tuition collections that may be required for debt service on the repayment of the bonds or for operational costs when the projects are complete. These costs have historically been considered by the entire Legislature through the budget development process.

Consistent with Chapter 334, any revisions to the bonding plan shall be reviewed by the Committee prior to the approval of subsequent bonding projects. The bond issuance for the MCSS building will be $58,700,000 and the bond issuance for 14 Infrastructure Improvement projects is $22,800,000, for a total issuance of $81,500,000. The repayment over a 25-year period at an estimated interest rate of 5.5% will equate to approximately $70,415,000 in interest payments for both projects. Total payment over the 25-year period will total $151,915,000.

(Continued)

Analysis

Laws 1996, Chapter 334 authorized ABOR to issue up to $245,400,000 in revenue bonds for the universities under its jurisdiction. Of the total amount, ASU has been allocated $100,000,000. The Committee gave a favorable review to the initial plan in May 1997. There have been revisions to each university plan since the initial review. In addition to the bonding authority from Chapter 334, Laws 2001, Chapter 233, authorized additional bonding authority of $39,100,000 for Northern Arizona University. *Table 1* shows the distribution of bonding authority from Chapter 334 and Chapter 233.

Table 1

Planned Annual Bond Issues
($ in Thousands)

	1997	1998	1999	2000	2001	2002	Undetermined	Totals
ASU	--	--	--	$15,000	--	$85,000	--	$100,000
NAU	30,900	--	--	--	--	62,918	82	93,900
UofA	--	--	--	23,683	30,000	36,900	--	90,583
TOTAL	**$30,900**	**$ --**	**$ --**	**$38,683**	**$30,000**	**$184,818**	**$82**	**$284,483**

Table 2 lists the projects in the ASU multi-year bonding plan along with the bond issuance amount, the annual debt service requirement, and source of funding for the debt service.

Table 2

ASU Bond Projects

Project	Bond Issuance	Annual Debt Service	Debt Service Fund Source
On-Campus Student Housing	$ 15,000,000	$1,118,200	Auxiliary – Approved March 2000
Parking Structure VII	3,500,000	261,000	Auxiliary – Future Request
Mediated Classroom/Social Sciences Bldg.	58,700,000	4,376,800	Tuition – Requested Approval
Infrastructure Improvements	22,800,000	,699,800	Tuition (69%); Auxiliary (31%) – Requested Approval
TOTAL	**$100,000,000**	**$7,455,800**	

ASU is requesting Committee approval to issue a total of $81,500,000 in bonds to finance the Mediated Classroom and Social Sciences Building and 14 Infrastructure Improvement projects.

Mediated Classroom and Social Sciences Building
ASU plans to build a 276,500 gross square foot (GSF) Mediated Classroom and Social Sciences (MCSS) building. The MCSS Building will be used for classroom, laboratory, library and office space, and consolidate the departments of Political Science, Sociology, Speech and Hearing Science, and Philosophy.

In addition, the MCSS building will house the College of Liberal Arts and Sciences Dean's Office, the Department of History, the Center for Latin American Studies, and the Center for Medieval and Renaissance Studies. These programs are currently housed in the existing Social Sciences Building. The existing building has structural deficiencies that require the building to be vacated and demolished within the next 2 to 3 years.

The MCSS Building will also provide mediated classrooms and an open computing site. A mediated classroom is a high technology classroom designed and wired to take advantage of electronic media such as audio/video conferencing and computer connectivity.

The $58,700,000 allocated for the MCSS Building includes $5,700,000 for computer and classroom media equipment. Given the useful life expectancy of the computer and classroom equipment, the $5,700,000 to purchase these items will be issued as a separate bond series to be repaid within 5 years. The remaining $53,000,000 will be repaid within 25 years.

(Continued)

The debt service on the bond issuances will be paid from academic revenues. Academic revenues are generated from tuition collections. At an estimated 5.5% interest rate, the total annual debt service will be approximately $4,376,800. Tuition revenues not set aside by ABOR for debt service may be available to offset General Fund appropriations for university operating budgets. Therefore, any increases in debt service requirements from issuing academic revenue bonds could have a potential impact on the amount of tuition revenues available to offset the General Fund appropriations for operating costs. The first debt service payment is usually due 6 months after the bonds are issued. Therefore, any offsets could potentially occur in FY 2003.

ASU estimates an additional on-going General Fund operating budget requirement of approximately $2,093,400 per year for the MCSS Building when fully operational in FY 2004. Requests for operating costs associated with the opening of new facilities are typically considered in the normal budget process when agency appropriations are considered by the Legislature.

Infrastructure Improvements

ASU plans to undertake 14 infrastructure improvements. The projects will upgrade the existing infrastructure and expand utility capacity. The existing infrastructure has not been upgraded since the late 1980's and new and planned construction projects require the utility infrastructure to be expanded. *Table 3* lists the projects and dollar allocation for each project.

Table 3

ASU Infrastructure Improvement Projects

Project	Allocation
North Campus 20 Megawatt Electrical Substation	$ 332,933
McAllister Sanitary Sewer (30 inch)	520,053
Forest Sanitary Sewer (24 inch)	950,591
New Electrical/Data Infrastructure	6,018,500
New Emergency Power Infrastructure	460,400
New Chilled Water Infrastructure	880,800
New Steam Infrastructure	693,500
New Chillers/Boilers/Safety Monitoring Equipment	2,189,800
New 4,000 Ton Cooling Tower	954,600
New Central Plant Infrastructure	878,000
Utility Tunnel Restoration	2,506,355
North Loop Utility Extension	4,084,268
New Campus Service Road and Drainage	1,123,000
Thermal Storage Liner Replacement	1,207,200
TOTAL	**$22,800,000**

The debt service on the $22,800,000 issuance will be paid from academic and auxiliary revenues. Academic revenues are generated from tuition. Auxiliary revenues are generated from the operations of various "enterprise" activities, such as residence halls and parking services. The issuance will be repaid within 25 years. At an estimated 5.5% interest rate, the total annual debt service will be approximately $1,699,800. Of the total debt service, 69% or $1,165,400 will be paid from tuition collections and the remaining 31% or $534,400 will be paid with auxiliary funds. As noted earlier, any increases in debt service requirements from issuing academic revenue bonds could have a potential impact on the amount of tuition revenues available to offset the General Fund appropriations for operating costs.

The attached ASU submissions contain more information on the MCSS building and infrastructure improvement projects.

RS/LM:jb

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DATE: March 4, 2002

TO: Representative Laura Knaperek, Chairman
Members, Joint Committee on Capital Review

THRU: Richard Stavneak, Director

FROM: Lorenzo Martinez, Senior Fiscal Analyst

SUBJECT: ARIZONA BOARD OF REGENTS/ARIZONA STATE UNIVERSITY – REVIEW OF LEASE-PURCHASE PROJECTS

Request

The Arizona Board of Regents (ABOR) on behalf of Arizona State University (ASU) requests Committee review of the University Services Building and Campus Backfill, Remote Library Storage Facility, Memorial Union Expansion and Renovation, Intercollegiate Athletics Building Expansion and Renovation, and Packard Stadium Clubhouse and Playing Field Renovation lease-purchase projects.

Recommendation

The JLBC Staff recommends a favorable review of the request with the following stipulations:

- ASU report the estimated costs for the Remote Library Storage Facility, the Memorial Union Expansion and Renovation, the Intercollegiate Athletics Building Expansion and Renovation, and the Packard Stadium Clubhouse and Playing Field Renovations to the Committee after the design for each project is completed.
- A favorable review by the Committee does not constitute endorsement of General Fund appropriations to offset any tuition collections that may be required for debt service on the repayment of the Certificates of Participation (COPs) or for operational costs when the projects are complete. These costs have historically been considered by the entire Legislature through the budget development process.

The 5 projects combined represent COP issuances totaling $77,137,000. The repayment over a 25-year period at an estimated interest rate of 5.5% will equate to approximately $67,256,800 in interest payments. Total payment over the 25-year period will total $144,393,800.

(Continued)

Analysis

Prior to Laws 2001, Chapter 2, 2nd Special Session, the issuance of COPs by the university system did not require any legislative oversight. Chapter 2 amended A.R.S. § 15-1682.01 to require JCCR review of university related lease-purchase projects. In compliance with a Committee request, the universities had been submitting lease-purchase projects to the Committee as informational items.

The Memorial Union Expansion and Renovation, Intercollegiate Athletics Building Expansion and Renovation, and Packard Stadium Clubhouse and Playing Field Renovations described below were submitted to the Committee as informational items in August 2001. Given that the COPs have not been issued, the projects now require formal Committee review.

Table 1 lists the capital project costs and annual debt service for each project.

Table 1

ASU MAIN CAMPUS LEASE-PURCHASE PROJECTS

	Capital Project Costs			Annual Debt Service		
	Tuition Collections	Auxiliary/ Other	Total	Tuition Collections	Auxiliary/ Other	Total
University Services Building & Campus Backfill		$14,400,000	$14,400,000		$1,095,000	$ 1,095,000
Remote Library Storage Facility	$ 2,800,000		2,800,000	$ 213,000		$213,000
Memorial Union Expansion and Renovation	9,327,700	29,502,300	38,830,000	695,375	2,199,375	2,894,750
Intercollegiate Athletics Building Expansion and Renovation	--	19,107,000	19,107,000	--	1,423,900	1,423,900
Packard Stadium Clubhouse and Playing Field Renovations	--	2,000,000	2,000,000	--	149,100	149,100
TOTAL	$12,127,700	$65,009,300	$77,137,000	$ 908,375	$4,867,375	$ 5,775,750

Table 2 shows the estimated operating costs for the facilities when they become available for occupancy.

Table 2

ASU MAIN CAMPUS LEASE-PURCHASE PROJECTS

	Operating Costs (Presently Estimated)		
	General Fund	Auxiliary/Other	Total
University Services Building & Campus Backfill	756,100		$756,100
Remote Library Storage Facility	182,000		182,000
Memorial Union Expansion and Renovation	750,100	423,400	1,173,500
Intercollegiate Athletics Building Expansion and Renovation	335,600	--	335,600
Packard Stadium Clubhouse and Playing Field Renovations	--	--	--
TOTAL	**$2,023,800**	**$423,400**	**$2,111,600**

University Services Building and Campus Backfill

ASU plans to construct a 120,000 gross square foot (GSF) building to consolidate administrative services and facilities shops. The plan would consolidate 8 administrative offices and 9 facilities shops. The estimated cost of the new building is $11,200,000. The direct construction costs are estimated to be $8,500,000, or $71 per square foot. R.S. Means, a noted construction cost index, reports the national average costs for college space range between $112 to $164 per square foot. Vacated facilities shops space of 126,000 GSF would be renovated at a cost of $3,200,000, or $25 per square foot. This cost is consistent with standard renovation costs for most state projects. The vacated space would be used for academic research facilities and support space. ASU estimates the project will be completed by January 2003.

(Continued)

The estimated annual debt service of $1,095,000 would be funded from university local fund sources (overhead/administrative charges). Annual operating and maintenance costs are estimated to be $756,100 from the General Fund. These additional costs have historically been considered by the entire Legislature through the budget development process.

Remote Library Storage Facility
ASU plans to construct a 15,000 GSF high-density, environmentally controlled storage facility. The facility would house lesser-used library materials and free up 22,500 square feet of space in the existing Hayden Library for support space and student use. The estimated COP issuance is $2,800,000. The direct construction cost is estimated to be $2,143,000, or $143 per square foot. R.S. Means reports the national average square foot costs for libraries to be $103. Given that this facility would provide high-density storage, costs are expected to be slightly higher. *JLBC Staff recommends that ASU report the estimated costs for the project to the Committee after the design is completed.*

The estimated annual debt service of $213,000 would be funded from tuition collections. Annual operating and maintenance costs are estimated to be $182,000 from the General Fund. These additional costs have historically been considered by the entire Legislature through the budget development process. ASU estimates the project will be completed by April 2003.

Memorial Union Expansion and Renovation
ASU plans to construct a new 4-level 154,400 gross square foot (GSF) building adjoining the existing Memorial Union. The expansion will address current space deficiencies and future space needs. The expansion will house retail, meeting, and office space, as well as a new bookstore. The estimated COP issuance is $38,830,000. The direct construction costs for new space is estimated to be $22,613,000, or $146 per square foot. R.S. Means reports the national average square foot costs for college memorial unions to be $125. Direct renovation costs for the renovation of 71,400 square feet is estimated to be $4,030,700, or $54 per square foot. The project also includes loading dock modifications and expansions at an estimated cost of $5,196,000. *JLBC Staff recommends that ASU report the estimated costs for the project to the Committee after the design is completed.*

The estimated annual debt service is $2,894,750 ($695,375 from Tuition Collections and $2,199,375 from Auxiliary and Other Funds). Annual operating and maintenance costs are estimated to be $1,173,500 ($750,100 from the General Fund and $423,400 from Auxiliary and Other Funds). The amount paid by each funding source is based on the amount of space allocated for each purpose (24% for academic space and 76% for auxiliary space). These additional costs have historically been considered by the entire Legislature through the budget development process. ASU estimates this to be a 2-year project.

Intercollegiate Athletics (ICA) Building Expansion and Renovation
ASU plans to construct a 50,000 GSF addition to the ICA Building. The addition will include space for a weight room, football locker room, ticket purchase area, hall of fame space, athletic student theatre, academic services area, stadium club/dining area, and other ancillary space. Approximately 72,000 square feet of existing space will also be renovated. The estimated COP issuance is $19,107,000. The direct construction cost for the addition is estimated to be $8,9049,800, or $179 per square foot. R.S. Means reports the national average square foot costs for sports arenas to be $70. Direct renovation costs are estimated to be $885,100, or $12 per square foot. The project also includes utility extensions at an estimated cost of $4,000,000. *JLBC Staff recommends that ASU report the estimated costs for the project to the Committee after the design is completed.*

The debt service on the COPs will be funded from ICA (non-General Fund) revenues. The annual operating and maintenance costs are estimated to be $335,600 from the General Fund. These additional costs have historically been considered by the entire Legislature through the budget development process. ASU estimates this to be a 12-month project.

(Continued)

Packard Stadium Clubhouse and Playing Field Renovations

ASU plans to renovate 8,160 GSF at Packard Stadium. The renovations include remodeling the clubhouse, locker room, entrance and concourse areas, as well as extensive field improvements. The stadium was originally built in 1974. The estimated COP issuance is $2,000,000. Direct renovation costs are estimated to be $1,520,000, or $186 per square foot. *JLBC Staff recommends that ASU report the estimated costs for the project to the Committee after the design is completed.*

The debt service on the COPs will be funded from ICA Capital Fund Raising Campaign proceeds. No additional operating and maintenance costs are anticipated. ASU estimates this to be a 10-month project.

RS/LM:jb

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DATE: March 4, 2002

TO: Representative Laura Knaperek, Chairman
Members, Joint Committee on Capital Review

THRU: Richard Stavneak, Director

FROM: Lorenzo Martinez, Senior Fiscal Analyst

SUBJECT: ARIZONA BOARD OF REGENTS/UNIVERSITY OF ARIZONA – REVIEW OF LEASE-PURCHASE PROJECTS

Request

The Arizona Board of Regents (ABOR) on behalf of the University of Arizona (UofA) requests Committee review of the UofA North Campus, Highland Commons Health Services/Disability Resource Center, and Highland District Housing lease-purchase projects.

Recommendation

The JLBC Staff recommends a favorable review of the request with the following stipulation:

- A favorable review by the Committee does not constitute endorsement of General Fund appropriations to offset any tuition collections that may be required for debt service on the repayment of the Certificates of Participation (COPs) or for operational costs when the projects are complete. These costs have historically been considered by the entire Legislature through the budget development process.

The 3 projects combined represent COP issuances totaling $62,730,000. The repayment over a 20-year period at an estimated interest rate of 6% will equate to approximately $46,650,000 in interest payments. Total payment over the 20-year period will total $109,380,000

Analysis

Prior to Laws 2001, Chapter 2, 2nd Special Session, the issuance of COPs by the university system did not require any legislative oversight. Chapter 2 amended A.R.S. § 15-1682.01 to require JCCR review of university related lease-purchase projects. In compliance with a Committee request, the universities had been submitting lease-purchase projects to the Committee as informational items.

(Continued)

ABOR has provided approval for UofA to proceed with the issuance of COPs to finance the UofA North Campus, Highland Commons Health Services/Disability Resource Center, and Highland District Housing projects. The following table shows the COP issuance, estimated annual debt service, and fund sources for each project.

UofA Lease-Purchase Projects

	COP Issuance	Annual Debt Service	Debt Service Fund Source
North Campus	$ 5,400,000	$ 470,800	Tuition Collections
Highland Commons Health Services/Disabilities Resource Center [1/]	17,630,000	1,537,000	Tuition Collections (77%) and Health Auxiliary (23%)
Highland District Housing	39,700,000	3,461,200	Residence Life Auxiliary
TOTAL	**$62,730,000**	**$5,469,000**	

1/ Total project cost is $19,130,000. Additional $1,500,000 will be funded from Health Auxiliary.

UofA North Campus

As part of a joint agreement with the Pima Community College District (PCCD), UofA will construct a 22,000 square foot facility on the PCCD campus. The original intent was to relocate the Arizona International College (AIC) from the UofA main campus to the north campus. Given that AIC is being phased out by UofA, the new building will be used for joint academic programs with Pima Community College, as well as 4-year undergraduate programs in professional and liberal arts disciplines. PCCD is overseeing construction of the project. UofA will use the $5,400,000 in COP proceeds to reimburse PCCD for the UofA share of the project. Based on other UofA construction projects, JLBC Staff estimates 71% of the total cost is for direct construction costs. This equates to $3,834,000, or $174 per square foot. R.S. Means, a noted construction cost index, reports the national average square foot costs for college classroom space to be $126, and $180 for college laboratory space.

The repayment of the COPs will come from tuition collections. Annual operating costs were originally estimated to be $500,000, and were to be funded with decision package appropriations in FY 2003. UofA now plans to allocate a portion of savings from discontinuing AIC to the programs to be established with Pima Community College. Consideration of offsetting the loss of tuition collections for debt service, or operating costs for new buildings have historically been considered by the entire Legislature through the budget development process. UofA estimates the building will be ready for occupancy in the fall of 2002.

This project was submitted to the Committee as an informational item in October 2001. Given the passage of Laws 2001, Chapter 2, 2nd Special Session, and that the COPs have not been issued, the project requires formal Committee review.

Highland Commons Health Services/Disabilities Resource Center

UofA will construct an 83,800 square foot facility to house both Campus Health Services and the Disability Resource Center. Vacated space of approximately 28,000 square feet will be used by the university for its academic mission. The estimated cost of the project is $19,130,000 ($17,630,000 from COPs and $1,500,000 from Campus Health Fund balance). The direct construction cost is estimated to be $13,022,000, or $155 per square foot. R.S. Means reports the national average square foot costs for medical clinics to be $98, and $157 for hospitals.

Of the $1,537,000 estimated annual debt payment, approximately $1,188,300 will be paid from tuition collections and the remaining $348,700 will be paid from Campus Health Auxiliary funds. The Campus Health Auxiliary Fund will also contribute an additional $1,500,000 from the fund balance for construction of the facility. Auxiliary funds represent revenue from programs that are required to be self-supporting. Annual operating costs are estimated to be $646,400 ($460,900 from the General Fund and

(Continued)

$185,500 from the Health Auxiliary Fund). The amount paid by each funding source is based on the amount of space allocated for each purpose (academic vs. health auxiliary). Consideration of offsetting the loss of tuition collections for debt service, or operating costs for new buildings have historically been considered by the entire Legislature through the budget development process. UofA estimates this to be an 18-month project.

Highland District Housing
UofA will construct new residence housing that will provide 740 beds along with support space. The university has been experiencing a shortage of beds relative to requests for on-campus housing. The estimated cost of the project is $39,700,000. The direct construction cost is estimated to be $29,000,000, or $135 per square foot. R.S. Means reports the national average square foot cost for mid-rise dormitories to be $120.

The repayment of the COPs will come from Residence Life Auxiliary funds. Auxiliary funds represent revenue from programs that are required to be self-supporting. Annual operating costs are estimated to be $817,800. UofA estimates this to be a 24-month project.

RS/LM:jb

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HOUSE OF REPRESENTATIVES

DATE: March 5, 2002

TO: Representative Laura Knaperek, Chairman
Members, Joint Committee on Capital Review

THRU: Richard Stavneak, Director

FROM: Tony Vidale, Fiscal Analyst

SUBJECT: ARIZONA DEPARTMENT OF ADMINISTRATION/DEPARTMENT OF CORRECTIONS/DEPARTMENT OF JUVENILE CORRECTIONS/ARIZONA DEPARTMENT OF TRANSPORTATION – REVIEW OF REVISIONS TO DEPARTMENT OF CORRECTIONS, DEPARTMENT OF JUVENILE CORRECTIONS, AND ARIZONA DEPARTMENT OF TRANSPORTATION FY 2002 BUILDING RENEWAL ALLOCATION PLANS

Request

The Arizona Department of Administration (ADOA), for the Department of Corrections (DOC) and Department of Juvenile Corrections (DJC), and the Department of Transportation (ADOT) have submitted revised FY 2002 building renewal allocation plans for Committee review.

Recommendation

The JLBC Staff recommends a favorable review of the revised building renewal allocation plans. ADOA has allocated $2,544,300 and a contingency of $215,100 to DOC and $220,000 and a contingency of $400,000 to DJC. ADOT has allocated $1,527,500 among 117 projects leaving a contingency of $48,900. The JLBC Staff further recommends that funding for any new projects not listed in the allocation plans, reallocations between projects, and allocations from the contingency amounts be reported to JLBC Staff prior to expenditure. JLBC Staff would report to the Committee on significant changes, typically above $50,000.

Analysis

Laws 1986, Chapter 85 established the Joint Committee on Capital Review and charged it with developing a Building Renewal Formula to guide the Legislature in appropriating monies for the maintenance and repair of state buildings. Pursuant to A.R.S. § 41-1252, the JCCR shall review the expenditure of Building Renewal monies.

(Continued)

ADOA and ADOT submitted revised building renewal plans as a result of revised appropriations for FY 2002 building renewal.

Laws 2001, Chapter 3, 2nd Special Session reduced appropriations for DOC, DJC, and ADOT building renewal. Chapter 3 appropriated $2,759,400 for DOC and $220,400 for DJC from the Corrections Fund, and $1,576,400 for ADOT from the State Highway Fund in FY 2002 for building renewal. The following tables show original and revised allocations of building renewal appropriations for DOC, DJC, and ADOT for FY 2002:

Department of Corrections

The following table shows the original and revised allocations of FY 2002 Building Renewal monies for DOC from the Corrections Fund:

Department of Corrections
FY 2002 Building Renewal Allocation

Project	Original Allocation	Revised Allocation
Door and lock replacement, ASPC-Douglas Mohave unit	$ 498,000	$ 498,000
Supplement funding to replace fire alarm system, ASPC-Winslow	431,000	431,000
Replace air handler, SMU-1	600,000	600,000
Install emergency generator, Aspen and Flamenco units	162,000	18,700 1/
Renovate kitchen, ASPC-Douglas Mohave unit	205,000	2,600 1/
Re-roof CB 3 and 4, ASPC-Florence Central unit	196,800	196,800
Replace furnaces with cooler heater combo units, ASPC-Douglas Mohave unit	216,000	10,300 1/
Replace fire alarm system, ASPC-Safford, Ft. Grant unit	822,500	0
Shingle Cocopah dorms and reseal administration roof, ASPC-Yuma	54,000	54,000
Relocate main gate, ASPC-Tucson	200,000	345,800
Replace roofs, CB 5 and 7, ASPC-Florence Central unit	137,100	137,100
Replace emergency generator and transfer switch, ASPC-Florence Central unit	150,000	150,000
Construction project management	181,000	100,000
Contingency	1,665,400	215,100
Total Building Renewal	**$5,518,800**	**$2,759,400**

1/ These projects are on hold. The revised allocation monies are for architectural and engineering fees that have already been expended.

Department of Juvenile Corrections

The following table shows the original and revised allocations of FY 2002 Building Renewal monies for DJC from the Corrections Fund:

Department of Juvenile Corrections
FY 2002 Building Renewal Allocation

Project	Original Allocation	Revised Allocation
Electrical system repairs to prevent groundfaults, Black Canyon Institution	$ 75,000	$120,000
Replace fire alarm system, Catalina Mt. Institution	300,000	0
Replace kitchen floor, Catalina Mt. Institution	50,000	50,000
Upgrade fire booster pump, Adobe Mt. School	0	50,000
Contingency	15,800	400
Total Building Renewal	**$440,800**	**$220,400**

(Continued)

Department of Transportation

The following table shows the original and revised allocations of FY 2002 Building Renewal monies for ADOT from the State Highway Fund:

Department of Transportation
FY 2002 Building Renewal Allocation

Category	Projects	Original Allocation	Projects	Revised Allocation
Fire/Life Safety	11	$ 136,500	8	$ 70,300
Roofing	35	430,300	30	351,100
Building System (HVAC, Utility)	33	942,800	26	533,900
Exterior Building Finishes	23	237,700	17	104,900
Interior Building Finishes	19	250,800	13	71,600
Remodeling	6	158,500	5	187,000
ADA	4	46,000	3	33,900
Infrastructure	11	185,500	15	174,800
Contingencies	N/A	352,800	N/A	48,900
Total	**142**	**$2,740,900**	**117**	**$1,576,400**

ADOT reports the decrease in allocation to the Fire/Life Safety projects is due mainly to postponing the upgrade of electrical service for Little Antelope residence housing, which the department believes can wait a year, and removal and replacement of loose window screens on the Phoenix engineering building. The reduction in allocation to ADA projects is due to not installing automatic door openers at some locations, which ADOT reports are an optional ADA item. The increase in allocation to Remodeling projects is for remodeling the 3rd floor of the Phoenix engineering building to better house engineering staff.

For the Committee's information, the following 6 projects in ADOT's revised allocation require $50,000 or more:

Project	Allocation
New roof – Arizona Highways Magazine	$105,400
Electrical upgrade – Holbrook District Office and Lab	100,000
Electrical upgrade – Tucson Equipment Shop	60,000
Elevator upgrade – MVD 1801 W. Jefferson	100,000
Renovate unused space into conference room – Safford District Office	62,000
Renovate 3rd Floor – Phoenix Engineering Building	80,000
Total	**$507,400**

The JLBC Staff recommends a favorable review of the ADOA and ADOT FY 2002 expenditure plans. The attached materials submitted by ADOA and ADOT lists each project and estimated costs. The projects are consistent with Building Renewal guidelines and appropriations.

RS/TV:jb

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CHRISTINE WEASON

DATE: March 4, 2002

TO: Representative Laura Knaperek, Chairman
Members, Joint Committee on Capital Review

THRU: Richard Stavneak, Director

FROM: Jake Corey, Fiscal Analyst

SUBJECT: ARIZONA STATE SCHOOLS FOR THE DEAF AND THE BLIND – REPORT ON 10-YEAR FACILITIES MASTER PLAN

The Arizona State Schools for the Deaf and Blind (ASDB) is reporting on the agency's 10-year Facilities Master Plan. The presentation by ASDB will focus on plans to 1) make existing facilities consistent with School Facilities Board standards, and 2) develop new facilities at school district and charter school sites that are closer to students' homes.

RS/JC:jb